Securitization of loans

3398. SHRI RAJEEV CHANDRASEKHAR: Will the Minister of FINANCE be pleased to state:

(a) whether relaxed loan securitization practice in the United States of America was the key factor behind the sub-prime crisis that eventually led to global financial meltdown;

(b) if so, whether by hindsight, India has planned to prescribe a minimum lock-in period and minimum retention criteria for securitizing loans originated and purchased by banks;

(c) if so, whether Government would like to review this policy in this regard; and

(d) if so, by when?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) As per the assessments, a combination of factors was responsible for sub-prime crisis in USA, which *inter-alia*, include sustained rise in asset prices, particularly house prices, during early 2000s on the back of excessively accommodative monetary policy, lax lending standards, financial innovations, etc. Though, securitisation improves the overall efficiency of financial intermediation by way of transfer of risk from the originator and allows greater risk dispersal, the events surrounding the crisis revealed that the benefits can be undermined by weaknesses stemming from the interactions between individual incentives and the quality of the information flow along the securitisation chain.

(b) to (d) The securitisation framework in India is considered to be reasonably prudent and has been able to minimise the incentives which led to the problems surfaced in the current crisis. In order to further strengthen the framework, the Reserve Bank of India (RBI) has, in its Annual Policy Statement for the year 2009-10, announced to prescribed a minimum lock-in-period and minimum retention criteria for securitizing the loans originated and purchased by banks.

Action plan for disinvestment

3399. SHRI RAJEEV CHANDRASEKHAR: Will the Minister of FINANCE be pleased to state:

(a) whether Government has drawn up an action plan on the proposed PSU disinvestments;

(b) if so, whether Government has set a target for disinvestment receipts;

(c) whether Government has sought to engage a global merchant banker to put in place a road map for selling stakes in PSUs;

(d) whether an advisory panel has also been constituted in this regard; and

(e) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The cases for disinvestment would be decided on a case by case basis. The process of Initial Public Offerings in NHPC Limited and Oil India Limited is in progress.